Ethical Subject Integration in University Accounting Programs

An Honors Thesis (HONR 499)

by

Brian Peterson

Thesis Advisor

Dr. Tiffany Westfall

Ball State University

Muncie, Indiana

December 2019

Expected Date of Graduation

May 2020

Abstract

Society holds accountants to an ethically high standard. Due to accountants' work with confidential client financial information, accountants need to know how to react in certain ethical dilemmas. Events, like the Enron scandal in 2001, have put the accounting industry's ethical behavior into question. To combat this, a major influence on accountants' behavior is their prior education. By implementing more ethical discussion in accountancy programs, students can better prepare themselves to act ethically in their place of work upon graduation. However, there are many limitations that prevent this ethical integration in the classroom. Universities need to find a balance where they can add ethics into their curriculum, without depleting themselves of time and resources to make this necessary adjustment.

Acknowledgements

I want to thank Dr. Tiffany Westfall for advising me, while I worked on my thesis. She helped me set a schedule, that truly motivated me to complete my work. I also want to thank her for being my instructor for ACC 305 because her class inspired the topic that I eventually focused on in my thesis.

Process Analysis Statement

Coming up with my thesis topic was my first obstacle. I wasn’t aware of the fact that we had to have a thesis proposal meeting the semester before we started our thesis, until two weeks before the end of my last semester. So, I had little time to come up with my topic and meet with Dr. Emert. I know that I wanted my topic to be accounting related, but most of the subjects that I learned in my accounting classes have been very technical. I didn’t want a technical topic because the majority of people wouldn’t enjoy reading an entire thesis about a single technical accounting subject. I wanted something a little more exciting to write about, so I thought about non-technical subjects that have been taught in my classes.

In ACC 305, Dr. Westfall touched on ethics, which I found would be an excellent topic to discuss in a thesis. Ethics is interesting because it applies to everyone. Everyone has their own moral standards and is faced with ethical decision making. The public is aware of how relevant ethics is to the accounting profession due to events like the Enron scandal, which led to Arthur Andersen’s demise. After I decided that I wanted to pick accounting ethics as my general subject, I wanted to focus in on a specific topic within accounting ethics. Therefore, I combined ethics with a topic that is very integral to my present experience, education.

Learning about ethics in my past accounting courses, piqued my interest, but I always believed that there was a lot more to the subject, than what was being discussed in class. That’s why I picked a topic, where I asked, to what degree should ethical education be included in accounting classes. It’s an interesting topic because ethics education can prepare any student in their future career. The lack of this inclusion in the accounting curriculum, made me curious as to what reasons were behind not including more ethics into our education.

Now that I had my topic, I started my research. The research portion of this thesis process took the most time and energy. The hardest part was finding the motivation to go to the library and skim through articles and books to find pertinent information to include. Once I got enough information, my advisor, Dr. Westfall, brought up the idea of including a survey for my thesis. I originally was going to do it, but I decided that the survey had the potential to take the focus away from the original intent of my thesis, exploring ethical integration in accounting programs. Also, I had sufficient notes from my research to write my thesis on the notes alone.

Dr. Westfall was helpful by setting a date for my draft to be due. I do really well with due dates because I can plan my workload to make sure it is done in time. Without a schedule, I would have procrastinated the writing process a lot more than I did. The hardest part about writing was deciding the flow of the paper. I had to search through all my notes and decide where to place everything in my thesis. I've never written anything so long before, so making sure everything tied together with a nice flow was challenging.

I don't know if I was necessarily surprised by my findings. I know that professors have very little time in their schedules to include more material, so I knew that ethical integration was impractical. It was nice to achieve a consensus that there is a need for more integration, however small that integration could possibly be. Although this thesis didn't have quite the positive outlook that I wanted it to have, I did learn a lot. It was interesting to learn the differences between the discrete and pervasive models, and how different sources viewed them. I liked learning about all the different models and ideas that previous psychologists, professors, and ethicists had about ethics education and the importance of it. I also enjoyed learning more about the Enron scandal in more detail. I heard about it growing up and randomly in different business courses, but actually taking the time to learn more about it was interesting.

Overall, I really enjoyed learning more about my topic and having the opportunity to present it in a way where, hopefully, someone down the road could potentially learn from it. I'm glad I wrote about a topic that is very relevant to today and I hope that there is some change in the future because ethical education is very important for students' success in their chosen field of work.

Accountants hold an important role in society. They have to walk the line between helping their clients and protecting society. Accountants are hired to analyze and form opinions about clients' financial positions to make proper financial statements. They also are a safeguard to protect society from fraudulent behavior that can be conducted by these clients. The real question is where is this line drawn, between serving their clients and society, and what factors influence the movement of this line, for each individual accountant. One major factor, is an accountant's prior education. When combining the ethical decision making involved in this previous question and accounting education, ethics education can help accounting students make ethical choices in their future career. A simple solution to any unethical accounting behavior is to introduce more ethical education in classes. However, there are many reasons why this change hasn't occurred in accounting programs across many universities. These universities have to ask to what degree, should ethical teaching be implemented in the accountancy curriculum.

As referenced multiple times in the American Institute of Certified Public Accountants (AICPA) code of professional conduct, integrity is the virtue that members of the accounting profession most need to live by. In 1988, Touche Ross conducted a survey of more than 1,000 business leaders, deans of business schools, and members of Congress, asking them to rank professions based on how ethical they are. Accounting, ranked second most ethical profession, just behind the clergy. (Ketz, 2006, v. 2, p. 350) Accountants are the keepers of the public trust, so they need to hold themselves to a high moral and ethical standard.

Once facet of the accounting profession is their substantial degree of autonomy. This profession is a regulated industry, but most of the regulations are self-imposed. However, accounting firms can be put into dilemmas where they experience a loss of independence. There can be a situation where they have to decide between serving the client and serving the public.

Accounting firms want to advocate an accounting position for their clients because they are hired, by the client, to help them with their financial matters. However, they also want to protect the public interest, which could be negatively impacted by this advocacy that they have been hired to do. If they put their clients' interests first, they will lose their moral integrity, so this will put the firm in a powerless position.

This role that accountants play between safeguarding the public or the client can be traced back through history. The public's interest in the accounting profession, first came about in the mid-nineteenth century, with the Companies Act in Britain. The Companies Act of 1862 put regulations on company law, which included many auditing requirements and expectations. The public's interest in the audit function of accounting firms in the U.S. goes back to the Securities Act of 1933 and the Securities Exchange Act of 1934, which stated that all publicly held corporations had to receive audits from independent accountants. Since corporations have to be audited, accountants have to balance the service they provide them and the protection they offer society, from fraudulent clients. Accountants are in the public eye and need to hold up to a certain standard that society expects from them.

To hold up to this standard, accountants in the United State generally follow a code of ethics provided by the AICPA. A major section of Volume 2 of the *AICPA Professional Standards* showcases the complex code of ethics. Along with the AICPA's code, many CPA societies and boards of accountancy have their own ethical code that reflect the AICPA code. There are also professional associations related to accounting that have their own code of ethics. Four of the major professional associations, that many accountants are a part of and include their own code of ethics, include the Association of Government Accountants, the Institute of Internal Auditors, the Financial Executives Institute, and the National Association of Accountants.

There are two important questions to look at when observing ethical law in these codes of ethics: “Is an action ethical if it is legal?” and “Is an action legal if it is ethical?” Changing laws is a slow process, so the likelihood that ethical behavior will evolve faster than a law can change, is highly probable. Because of this, ethical behavior is put to a higher standard in society than in legal behavior. Legal behavior is of low standard in the eyes of the public because laws are not as up-to-date and current as ethical behavior and ethical behavior is hard to define within the confines of a law. Therefore, laws usually provide a minimum requirement for ethical behavior. When illegal acts that reflect the changing ethical behavior occur, laws tend to change to reflect that behavior, through court rulings or legislative changes. Some issues today that fit into this category are sex and race discrimination, environmental pollution, abortion, and employee rights. Some people in society think these subjects are ethical and some do not. Laws will change or are currently changing to reflect people’s ethical behavior, in accordance with these categories listed previously.

When accountants commit unethical acts that don’t coincide with changing behavior, it can be agreed on that they should accept some liability for what they have done wrong. However, there is a way that too much liability can be a bad thing for society. With a lot of liability, accounting firms that want to uphold their good reputation, might no longer want to audit small and risky private clients. By not doing these audits, these unaudited clients can have a harmful impact on society if they truly are committing any type of wrongdoing. Without an audit, this situation would be left alone to grow into a bigger issue for the public. There needs to be some balance in the liability that society puts on accounting firms. Too much or too little liability, will not protect the public’s interest.

There are ways that society has some control over the accounting profession, to enforce the liability that they have to the public. One is licensing, that only affects public accountants. CPAs are regulated by licensing boards, who have the power to grant, suspend, and revoke a CPA's right to practice public accounting. Regulatory agencies, like the Security and Exchange Commission (SEC) and the Federal Energy Regulatory Commission, can set standards and regulate accountants. Also, the justice system can subject accountants to criminal and/or civil penalties, depending on what they have done wrong.

Even though these licensing boards and regulatory boards exist, many CPAs still get away with unethical behavior. The SEC, for example, has rarely suspended CPAs for not fulfilling their responsibilities. It is difficult to prove that a CPA willfully or knowingly violated professional standards. Therefore, many cases of unethical behavior by CPAs are discarded.

When looking at the auditor-client relationship in particular, and important aspect is client confidentiality. Client confidentiality is very integral to accounting in general because no client would be comfortable with sharing their personal, financial information if they knew that that information would be shared or made public in any way. Even though it is important for the auditor to keep this confidentiality, there is a time when they need to break away from this and share a client's information. If a client's information is going to harm the public in any way, it is crucial for the auditor to reveal that information. However, that is not easily the case all of the time. It is easy for auditors to hide behind this confidentiality, that has been engrained into their work, instead of reporting something that is actually better for society as a whole to be warned about.

Another way to describe an accounting firm is as a service provider. Firms can sell many different services beyond an audit. This is problematic because the audit could start to be treated as just another commodity in a package of services that are sold to the client. Having this mentality is wrong when the firm only cares about making a profit and an audit would just be another product for them to make a buck off of. Accounting firms need to realize the true purpose of an audit, which is to inform the public using the correct financial statements of the client.

A recent trend, that has changed the view of some major auditing firms, has been a restructuring by industry. To carry out this restructuring effectively, each “industry team” needs to be able to separate the audit function from all the other services that they provide. These other services are more business-like, while audits should be treated from an independent auditor view that has the public’s best interest in mind.

An important influence that can affect an accountant’s un-biased view is the culture within the firm that they are working at. Firm culture describes the firm’s practices, beliefs, expectations for its employees, and the risk/reward structure within the firm itself. This risk/reward structure will either support an accountant’s actions to positively impact society or some other objective formed within the hierarchy of the firm. An ideal firm culture would support the duty that accountants have to the public.

If the culture doesn’t reflect this societal view of accounting, it could be bad in two different ways. An accountant could have a stronger loyalty to their own firm and coworkers, than they do to society, by simply being immersed in a problematic culture. This would cause the accountant at this firm to make the best decision for their firm, but not for society. Another issue with this, is that the firm might perform more like a business than a professional organization. The culture at this firm might cause an accountant to treat an audit as simply a commodity and not factor in the impact that they can have on society, with these more transactional audits.

Major players that affect a firm’s culture is the managers and partners of the CPA firm. Staff look to people above them in the hierarchy, when deciding what actions are to be done. If a manager or partner does a certain action, then that automatically makes it acceptable for everyone else beneath them to do the same. When managers and partners perform in an ethically sound manner, it is less likely that staff will have any dysfunctional behavior. Managers and partners need to understand that their actions are always going to be watched and that they are the ones that affect the culture of the firm.

Another influence on accountants, besides firm culture, are the rules that are put in place for every accountant to follow. In accounting, rules are meant to be used to achieve objectives, instead of being definitional. Therefore, accounting rules are prescriptive in nature. They are used to guide behavior to make a decision. Since, prescriptive rules are not definitional, they do not define correct ethical behavior. There are two instances where this can be shown.

The first is that one may need to break a rule to achieve the objective. For example, generally accepted accounting principles instruct an accountant on what to do in a usual case. If the accountant has reason to believe this assumption is false, then they may have to break from the rule because it is an entirely different scenario. Another instance is when there is an absence of a rule. Just because a rule is absent, does not mean that the behavior is acceptable. For example, just because some financial documents are not required to be disclosed, doesn’t mean that they shouldn’t be disclosed.

Two problems involved with accounting rules are an “absence of rule” problem and a “presence of rule” problem. As previously stated, when there is an absence of a rule, accountants can think that they can do anything that is not explicitly stated in a rule. Since it’s impossible to make a rule about everything, there is an endless cycle: absence of a rule, abuse because of an absence, and rule-making to make up for that abuse. The “presence of rule” problem happens when people follow the rules, but find loopholes, that ignore the original intent of the rule. This causes rules to become very complex and specific.

When confronted with one of these problems in accounting rules, an ethical dilemma is created. There are three basic ethical dilemmas for accountants. One is that the accounting or ethical rules are unclear and the accountant will have to use their own judgement to try to apply what they think was intended by these rules. The second is that there can be conflict between the stakeholders of the company. The Public Interest Principle in the AICPA Code, defines stakeholders as, “the clients, credit grantors, governments, employers, investors, the business and financial community, and others who rely on the objectivity and integrity of certified public accountants to maintain the orderly functioning of commerce.” (Ketz, 2006, v. 2, p. 155) The third dilemma is when there is disagreement between an accountant’s self-interest and what moral principles should be conducted in any given ethical situation.

Besides these three basic dilemmas, there are numerous other ethical wrongdoings in the accounting profession. One unethical action is when a firm doesn’t perform sufficient work on an audit because they charge a low fee. Firms charge low fees for audits due to factors like the size of the client or the industry that they are working in. A low fee may cause an auditor to not put in the effort, that they should be putting into every audit, because there is a low financial incentive attached to the audit. This lack of effort can cause mistakes to be made, which can lead to a bigger impact on the audited entity or society in the long run.

Another factor that could be problematic, is when a manager doesn’t know all of the facts of their business. Even when they think they do, someone could have possibly arranged the facts, so they hide what they don’t want the manager to see. When accountants’ self-interest comes into play, they may want to manipulate a transaction to take care of a client, even when it is ethically wrong.

The biggest real-life example, showing the effects that ethical judgement can have on accounting, is what happened with Enron. Prior to the events that led to Enron's bankruptcy, Enron was one of the largest corporations in the world. On October 16, 2001, Enron announced that they were lowering their after-tax income by $544 million and its shareholders' equity by $1.2 billion. Due to accountancy errors, on November 8, 2001, they announced that they were going to restate their previously reported net income from 1997-2000 by hundreds of millions of dollars. Within a month, their stockholders' equity was reduced by $1.7 billion. Finally, on December 2, 2001, Enron filed for bankruptcy, making it the largest US corporate bankruptcy in history.

Due to this downfall, Enron's stock price went from $90 in mid-2000, to under $1 by year-end. Many Enron employees invested their 401(k) in Enron stock, so their assets went from hundreds of thousands, and even millions of dollars, to nothing. Enron's bankruptcy was seen everywhere by everyone, from stories by the press and television news programs, hearings before multiple congressional committees, and even investigations by the SEC.

This event is relevant to accountants because of the involvement of Enron's auditor, Arthur Andersen, LLP (Andersen). Andersen used to be one of the "Big 5" CPA firms, until this event occurred. Andersen was charged with fraud and failure to fulfill their duty by the press and members of the US Congress and was sued with many lawsuits for a substantial amount of damages. Because of their wrongdoings, the chairman of the SEC at the time, Harvey Pitt, called for a new body to regulate and discipline CPAs, to prevent this from happening again. Also, the SEC, the Financial Accounting Standards Board (FASB), and the AICPA have been criticized for not clarifying the GAAP rules for special-purpose entities (SPEs), which are independently owned enterprises created to serve the interests of their sponsor. Another problem that was pointed out, was the $27 million paid to Andersen for non-auditing fees. Besides tax preparation and advice, these extra services might influence the independence of the CPAs that were working with Andersen. This caused the "Big 5" CPA firms to stop some of the consulting practices that they offered, because they didn't want to go down the same path as Andersen did.

One example of something that Enron did wrong that led to their downfall, was not consolidating their SPEs. Enron sponsored hundreds of SPEs, but the GAAP rules at the time, didn't say that they had to consolidate them, if an independent third party had a controlling and substantial interest in the SPE. Many of these SPEs were used to lower the US taxable income by the foreign income. This enabled them to hide their debt from their investors. When Enron's stock declined, the SPEs assets couldn't cover the debt, so they had to assume the debt instead. Even though doing this was legal, because there was no GAAP rule specifically stating a consolidation effort, it is still unethical for Enron to hide this debt from their investors.

Another example of an issue was Enron's treatment of its stock that was issued to or held by its SPEs. GAAP states that a corporation can't record an increase in stock value as income, but Enron did. Also, Enron recorded an exchange of its stock for a note receivable, as an increase in equity, which also goes against GAAP rules. In this type of exchange, total owners' equity doesn't change because the receivable amount is deducted from equity and increased in stock outstanding, causing no change in equity. However, Enron didn't comply with the standards that were put in place.

For a last example, although there were many more misdeeds committed by Enron, they had related party disclosures that were simply unethical. Employees, like Enron's Vice President and CFO at the time, Andrew Fastow, received benefits from both sides of certain transactions. They benefitted as business partners from Enron's dealings with the SPEs, but they also benefitted when arranging the prices paid for investments and services with these SPEs because they represented Enron's stockholders. This is a conflict of interest because employees should only be on one side of a transaction. If they aren't, they can work the system to get the biggest gain out of a transaction for both parties.

Andersen got blamed for Enron's frauds, when in reality, there is evidence that this wasn't the case. Andersen wasn't the auditor for the SPEs where the frauds were committed. These frauds were committed by Enron employees within these SPEs, who worked with financial institutions that were also not Andersen clients.

When looking at the outside critics of Andersen at the time, many of them were involved with Enron's misdoings. Multiple Republicans and Democrats attacked Andersen because they wanted to distract the public from the truth. Enron spent an exorbitant amount of money on both parties and received special favors in return. One of these favors was an SEC exemption that allowed them to use the SPEs. Without this exemption, none of this fraudulent behavior would have occurred. Even more interesting, former SEC Chairman Arthur Levitt, Congressman Billy Tauzin, and Congressman Jim Greenwood were the biggest adversaries of Andersen at the time and they were the most responsible for granting Enron this SEC exemption.

Another adversary of Andersen, was the Department of Justice. They misled the grand jury and trial jury to charge Andersen. They also threatened witnesses and made accusations before investigating any of the facts. This was a major obstruction of justice by the Department of Justice. Not only in just this department, but members of all three branches of the government rushed to conclusions to make Andersen the scapegoat. Instead of people treating Andersen as innocent until proven guilty, they believed Andersen was at fault, even when they did look at the facts.

Another interesting fact is revealed when looking at where Andersen's clients and employees went after Andersen shut down. Most of them went to the rival accounting firms, who had the same SPE clients where the frauds occurred, and the financial institutions that contributed to this fraud.

Scandals, like the Enron scandal in 2001, put the entire profession in question as well as the accounting programs, in which these accountants graduated from. Many universities haven't adapted their programs to include enough ethical discussion to prevent further scandals, like Enron. If one thinks about it, education is one of the only similarities between the accountants who commit fraud. The Association to Advance Collegiate Schools of Business (AACSB) International issued a monograph explaining the need for schools to teach ethical awareness, reasoning, and principles.

Most accountants first gain a foundation of their accounting knowledge through a liberal education. Liberal education aims at freeing students from prejudices and misconceptions. This is depicted in the Chinese word "hua", which means "change through teaching". Hua consists of two characters: a character for a human being and a character for an inverted human being. Liberal education turns our worldview upside down and makes us look at issues from different angles.

The classroom experience in liberal education should be transformational. Students should be able to examine their assumptions and habits that will lead them to new viewpoints. As humans, we tend to see and hear only what we are ready to perceive and understand. Therefore, teachers should structure their classes to break beyond these barriers and cause their students to expand their mental capabilities.

Studying the motivation behind why faculty do things, reveals many reasons why they might not want to add ethics to their course material. Junior faculty are mainly concerned about gaining tenure. To receive tenure, they need to produce a certain number of publications. Therefore, junior faculty tend to rely on course syllabi from other professors or from prior years, instead of creating or adapting a syllabus for every additional semester. Tenure draws their attention away from the classroom and the affect that they can have on their students. One would assume that senior faculty would be the opposite, since they don't have to worry about tenure, but this is not necessarily true. They have been teaching the same or similar classes for a long time, so they are comfortable with their syllabi. They are not likely to change what has been set in stone over many years of teaching.

Many accounting professors are wary of teaching ethics in their classes because they are not trained ethicists. They fear that they may take a position on an ethical issue that will harm their students more than help them. Accounting professors might believe these topics should be taught by philosophers because they are more likely to make a morally correct decision, due to their prior training. However, there are not enough ethicists at a typical college to teach all accounting students along with the other students that they would be required to teach.

Accounting faculty also believe that the students are at an age where their moral values are not susceptible to change, so teaching them new ways of ethical decision making would be pointless. With the argument that students are unmotivated to learn new ways of looking at things, therefore unteachable, it is better to assume that everyone is teachable instead of writing off a whole student population. We won't know who is teachable, unless the effort is put in place to teach them and results are formed that show a change in students' thought processes.

Finally, accounting professors might believe that they don't have the right to influence or change a student's personal values. However, this is not a valid argument because society holds professionals to a higher standard than the average individual. Since accountants are at such a high standard, as discussed previously, they should be as ethically conscious as they can be. A primary way to get there is through the education process.

Lawrence Kohlberg created a psychological model that described a person's moral judgement through six stages. Movement between the six stages depends on an individual's belief system. Kohlberg believes that everyone reasons at one stage, but can't move to the next stage without stimulating their moral reasoning. The majority of the adult population is stuck at the middle two stages. Therefore, people can get through these layers by means of education. However, people are not getting the ethical education that they need and they are stuck at levels with lower moral reasoning capabilities. (Ketz, 2006, v. 2, p. 350)

Another reason why ethics isn't being taught, is the lack of case studies relevant to ethical violations in the accounting community. The accounting profession usually is reluctant to showcase examples of times when ethical issues took place, so it seems like the occurrences of these types of violations are slim to none, when in reality, they are not. Due to the lack of examples, very few case studies are available to be viewed by accounting students. Students need real examples to showcase times when real-world accountants made ethical violations, so they can learn to not repeat their mistakes.

The existence of the CPA exam is another reason why ethics is not being taught in the classroom. Most accounting programs are seen as successful, if their students have a high CPA exam pass rate. To make this possible, these programs try to limit the material in their curriculum to only focus on material that will be tested on the CPA exam. Currently, 35 states require some sort of an ethics exam to become a CPA. In the future, more state boards are likely to authorize this requirement to a point where every state may have an ethics exam. Since ethical related topics are not tested in the other 15 states, they are left out of the curriculum. Even if faculty agree that ethics is an important topic to learn, they only have a limited number of subjects that they can realistically cover in a semester, so topics that won't help their students on the CPA exam, are left out.

Another place that does not do the discussion of ethics justice is in accounting textbooks. Many of these textbooks do not talk a lot about virtue ethics, like honesty, fairness, and wrong interpretations of financial disclosures. These textbooks have more focus on social responsibility than virtue ethics. Social responsibility includes topics like the environment, sweatshops, and philanthropy. Many students go into "soft" companies, which are companies that are not the targets for labor or environmental protestors. Because of this, they think that they are ethically sound, due to the fact that their social responsibility is not being questioned by the public. Many accountants ignore virtue ethics because their understanding of ethics is based solely on social responsibility.

One of these "soft" companies, was Enron. They were a socially responsible company who did a lot of philanthropic work. When Enron's fraud was reveled, many people who worked with Enron officers, in community projects or in fund-raising, were shocked that they were involved in such corruption. This is due to the fact that they were taught that the focus of ethics is social responsibility, instead of virtue ethics.

When ethics is taught in accounting courses, another approach besides the social responsibility model is the "teach-the-code" approach. This approach involves students being required to memorize ethical codes that have been implemented for accountants by professional organizations. By simply memorizing code, they are not understanding the reasons why these codes were put in place and the ethical implications that are fixed by following these codes of conduct. There is also no aspect of students having the opportunity to question the codes or have the ability to understand that ethical decision making goes far beyond what is stated in these codes.

A final ethical training is the stakeholder/normative model. This approach focuses on the impact that an ethical dilemma can have on someone who has a "stake" in the outcome. They have to weigh the impact that a decision will have on multiple groups because in business dealings, there are various groups that can be impacted by a single decision. An example of this is when companies try to maximize shareholder wealth. This can create unintended consequences to other parties involved, besides the shareholder. In some cases, it is not ideal to maximize shareholder wealth, when the consequences outweigh the benefits.

Before ethics can be introduced in accounting classes, there are barriers that prevent this implementation. A psychological barrier to teaching ethics is the convincing of faculty that they will make a positive contribution to their students' education, that will expand their students' ethical awareness. This is difficult to do because faculty will have to be certain that ethics education will be more important to their students than some of the more technically oriented topics. They could stress that these technical topics can be learned in a more in-depth continuing education class, post-graduation. Another great psychological barrier for faculty is whether they have enough time to include ethics in their courses. With trends toward five years of accountancy education, a broader liberal education, and an emphasis on communication and analytical skills, there could be more time and emphasis to include ethics in accounting curriculum.

Besides the psychological barriers, there are also practical barriers. One is collecting enough cases of ethical dilemmas that would be sufficient enough to display the array of issues that accountants could come across in the future. To combat this barrier, there are many organizations that are providing case studies for accountancy programs, like the AAA Project on Ethics and Professionalism, Arthur Anderson's business ethics project, and the National Association of Accountants. Another barrier is to properly train faculty in the case study method. This can be resolved in a multitude of ways. The faculty can take part in individual study, attend seminars and workshops, or the accounting departments can provide instruction to the faculty themselves. Before students can work on case studies, they first need a foundation for ethical analysis. Without this, they can't identify the ethical dilemmas and find the support needed to figure out where the subject in the case went wrong. They also can't provide recommendations to fix the dilemmas, without a prior understanding through ethical teaching.

One study, conducted by Kenneth Hiltetel and Scott Jones, tried to see what kind of impact ethics introduction would have on accounting students. They wanted to know if faculty, who had little or no training in ethical teaching, could have an effect on the way students interpret ethical dilemmas by introducing some type of ethical teaching into their classroom. The results did show a positive effect on how students are aware of ethical dilemmas and the way they go about resolving them. (Ketz, 2006, v. 3, p. 417-433)

There are multiple things that need to be done to successfully teach ethics to accounting students, that goes beyond the ethical codes that have been put in place. Accounting faculty need to be taught how to teach ethics to their students in a way that they are comfortable with discussing different opinions. Students have to be educated on the actual ethical dilemmas that they could encounter in the workplace. Also, case studies have to be made that properly convey these ethical dilemmas.

If a university was considering adding an ethics course for accounting students, they have to ask whether the class should be taught by philosophy or accounting faculty. Most ethics related courses are taught in the philosophy department and include basic discussions of responsibilities in a general ethical framework. Therefore, these students are being taught on a philosophical level and not on a practical level that is related to their field of study. This creates disinterest in students taking these ethics courses because they can't apply it to their own interests, like practical situations in the business world. Topics such as, the morality of American capitalism, corporate social responsibilities, workers' rights and duties, whistle blowing, discrimination, truth in marketing, professional codes of conduct, and morality in international trade, are not included in these classes, even though they are important for a business major to understand. By keeping these classes taught by philosophers, these students will not be able to make ethically sound choices because they will never discuss particular situations in regard to their profession in these ethics' courses. Therefore, ethics classes need to be taught by accounting faculty.

James Rest, an American psychologist, developed a four-stage model (moral sensitivity/awareness, moral judgement, moral intent, and moral behavior) to describe the ethical decision-making process. People first have to recognize that an issue is morally problematic, then critically evaluate that issue, followed by formulating an intention to act ethically, which will lead them to behave ethically. Without the first three steps, ethical behavior cannot change.

Education can help improve an individual's skills in the first three stages, so they can eventually change their behavior. (Dellaportas)

Rest also introduced four types of interventions to help students with their ethical reasoning. One is an open discussion of dilemmas in class, using case studies. This results in students bouncing ideas back and forth and expanding their ability to analyze a situation for its ethical dilemmas. Being exposed to other ethical perspectives, especially with people who are at higher moral development levels, according to Kohlberg's model, can improve your own moral development. Another way is through personality development. They can do this through different service projects, like working in a nursing home. This could help students understand the importance of helping the community, and not to be a selfish thinker. The third is through academic programs that would teach ethics in the course of study. The final intervention is short-term interventions that last less than three weeks, regarding ethical practices. Looking at the results of these four different interventions, the most impactful combined intervention, would be to integrate ethical discussion through investigations of ethical dilemmas and to make sure that these programs last longer than three weeks at a time, so they have a greater impact on the students.

Rest also believes that the change that moral education programs can have on students is equivalent to four- or five-years growth in the workplace. The purpose of ethics education is not to convert a morally deviant person to someone who is virtuous, but it is to help students, who have good instincts and care about others, detect moral dilemmas and understand why they are bad. It is important to keep in mind, that ethics education isn't a cure all. People are not only affected by education, but they are also influenced by their experience at work and their role models. If their peers are behaving unethically, no matter how much they were positively impacted by ethics education, they might still behave unethically, due to this outward influence.

In accounting academic programs, there are generally two approaches to ethical interventions. The discrete method involves having a separate ethics class that students would have to take. The pervasive method integrates ethical discussion throughout the normal accounting classes that a student is required to take.

Steven Dellaportas conducted a study on the effect that the discrete, rather than the pervasive method, would have on students' ethical judgement. Dellaportas used Rest's Defining Issues Test (DIT) in this study, to measure students' cognitive moral reasoning and development (CMD), based on Kohlberg's six stages model. Students' with the higher P-scores ("principled morality") were seen as being in the higher stages of Kohlberg's model. The DIT P-scores were tested at the beginning and ending of a discrete course in accounting ethics. Students involved in this study, also had an interview to further analyze the impact that the discrete class had on them. Within this course, the students were introduced to many diagnostic tools that helped them identify and resolve ethical issues. The results of this study concluded that the introduction of this discrete class had a positive impact on the P-scores. (Dellaportas) The discrete method would be a good opportunity to really dive deep into ethical accounting discussion because there would be an entire semester class dedicated to the subject. By using the discrete method, more topics could potentially be covered than if the pervasive method was applied on its own. Just like every other accounting class, having a class dedicated solely to a certain subject, can deepen students' comprehension of the subject being discussed.

A major disadvantage of the discrete method is that curriculum time is scarce. A discrete course would require making room in the curriculum, which could omit other topics, like financial and management accounting. This would also require additional resources, since this would require adding a completely separate class, that would last the entire semester, instead of being incorporated in many classes throughout the curriculum without adding additional resources, like textbooks, professors' time, and case studies. There would be more staff development required for ethical training, since most teachers are not equipped to teach an ethical accounting course for a whole semester.

An example of when the discrete method was used in real life was at St. John's College School of Accounting, Commerce, and Finance. They implemented a one-hour class for freshman called, "The History and Survey of Accountancy." This class included topics over the history of accounting and bookkeeping, accountancy legislation, education and societies, and accountancy ethics. Although, this program didn't provide the results that St. John's College wanted, there was an interest in accounting created among these freshmen and the students who received the best grades were also tested highest in the technical subjects of accounting theory and practice. (Ketz, 2006, v. 2, p. 331)

In comparison to the discrete method, many find the pervasive more popular to implement. Prior research has been conducted by Roland Madison, Jacqueline Schmidt, and Cindy Blanthorne to show that accountancy chairs and accounting faculty prefer the pervasive method to the discrete method. (Miller & Shawver) The pervasive method is more appealing because it is easier to move around individual professor's syllabi to add ethical discussion, than it is to drop a class entirely, to fit in an ethics course. The pervasive method can also be more impactful to students because they can learn about ethical dilemmas that apply to different subject matter as they learn it. When having a stand-alone ethics class, students could forget what they learned or be unable to apply it to their other classes, because it is a separate class.

Also, as time goes by, students will forget what was covered in the ethics class, especially if they took it at the start of their college experience and they don't apply that knowledge in any succeeding class. The pervasive method is still met with resilience because professors would have to not go as in depth or cut out certain topics to include ethical discussions.

A study that tested the pervasive method was conducted by Tara Shawver and William Miller. They delved into the topic of moral intensity. In 1991, Thomas Jones said that moral intensity included six elements: magnitude of consequences, social consensus, probability of effect, temporal immediacy, concentration of effect, and proximity. The magnitude of consequences is about your perceived harm or benefit from a certain action. Social consensus is society's view on whether something is ethical or not. Probability of effect is the likelihood that an action will take place that could lead to harm or benefit. Temporal immediacy is the time it takes for an action to create consequences. Concentration of effect is the number of parties that would be affected by an action. Finally, proximity is how close the decision maker is to the parties that will be affected by the action. Jones believed that events that were more morally intense would be more likely recognized as morally problematic, which would eventually lead to a change in ethical behavior. On the other hand, if something is not morally intense, then it is more likely to be ignored and behavior would not change. Therefore, changing how someone perceives an ethical issue, can lead to a great impact on their ethical decision making. (Miller & Shawver)

Shawyer and Miller's study compared students' perception of moral intensity at the start of the semester versus the end. This study also examined the changes to Rest's first three stages of the decision-making process. This study was conducted by integrating ethical interventions in an Advanced Accounting course. This reflects the pervasive method because these ethical discussions are being integrated in existing classes rather than separate ethical accounting courses. The two universities that this study was conducted in doesn't require a separate ethical accounting course, so the discrete method has no impact in this study. Rest believes that an increase in moral intensity should have a positive impact on the first three stages of his model. When this study was concluded and the pre- and post-test results were reviewed, an increase in moral intensity was related to an increase in moral awareness/sensitivity, judgement, and intention. By increasing the students' moral intensity, they became more ethically aware and had better judgments and intentions, which can often lead to a change in actual ethical behavior.

Ralph Welton and Daryl Guffey, professors at Clemson University, believe that ethical interventions are effective if they last for at least a three-year period. Nonna Martinov-Bennie and Rosina Mladenovic, accounting professors, lead a study where they concluded that having a stand-alone ethics class would improve students' ethical judgement, while an integrated ethics education would improve their ethical sensitivity. (Shawver & Miller)

Ideally, the discrete and pervasive method would be combined. The best scenario would be, early in a student's accounting program, they would take a separate ethical accounting class that would introduce the students to ethical thought. Then, following the pervasive method, ethical discussion would be implemented in the accounting classes already put in place. To wrap up the student's degree, they would take a capstone ethics course that ties everything they have learned in accounting about ethics. This plan of action would be very effective in expanding students' moral reasoning and help them tackle ethical dilemmas when they enter the workforce. However, this is very unrealistic. There is not enough time and space in the accounting programs to implement all of this. This would require adding two separate accounting classes, that would have to replace other important material. This would also require extensive training for all of the faculty and deplete these accounting programs of their resources.

If accounting programs decide to implement one of these methods, they have to decide what kinds of subjects should be introduced to accounting students. A topic that can improve the ethical decision making of students, is teaching them the history of accounting. By studying the history, a student can learn from the ethical mistakes of accountants in the past. If people are not aware of mistakes in the past, they will end up repeating them, because that is the cycle of human behavior. An example of this would be to study the downfall of Enron and what we, as accountants, could have done differently to avoid making similar mistakes in the future.

When discussing accounting laws, teachers need to teach beyond the confines of the law. As previously mentioned, ethical behavior is at a higher standard than legal behavior, so ethical decisions go beyond what the laws prescribe accountants to do in an ethical dilemma. Therefore, professors can teach ethical laws, but they should make it apparent, that there are times when an accountant's ethical decision will transcend what is written in the rules of law.

Students also need to look at a financial statement with skepticism and not take it at face value. They need to look beyond the numbers and question whether the figures make sense and if anything is being left out or done incorrectly. To do this, classes need to evaluate financial statements in more depth. Currently, students know the basic make-up behind different financial statements, but they need to ask the question of why those numbers are reported there and where do they come from. Understanding the flow of all the financial statements and transactions will improve their ability to analyze a document for validity.

Future auditors also need to be taught beyond the scope of what they are learning in the classroom. They can't fully audit a company until they have a foundation, that includes how the financial statements are or can be influenced. Auditors need to understand the economic environment, incentives for managers and employees, and other factors that could cause someone to report their financial statements differently than they would without the influence of these outside factors.

In regard to whistleblowing, when someone exposes a person or entity of committing unethical behavior, students need to understand what it is and its consequences. They need to learn how responsibility, loyalty, and harm are factors in a whistleblowing situation. They need to know how to approach a whistleblowing situation, and if they can, how to prevent or avoid involvement in a situation that whistleblowing may occur.

It can also be important for students to understand Kohlberg's moral development framework. Understanding the stages of moral reasoning, especially the ones higher than your own, can help elevate you to those stages. Through education, your moral reasoning expands and you can move up in the stages. Most people are stuck in their own stage of moral reasoning and won't move up unless they make the effort necessary to educate themselves further.

There are three structures, that could be taught to students, that could help them look inward and understand themselves better. One involves investigating the meaning of money. Many people view money as a medium of exchange or a marker of status. Students need to understand that money is also a way to fulfill our individual desires. If students know this use of money, they can understand why people are happy or unhappy, based on their meaning of money. We have to acknowledge our desires and how we attain them, by our relationship with money. For example, instead of pointing out everything that Enron did, individuals can look at their own relationship with money and compare it to Enron's officers, to figure out their motivations.

Another structure of teaching is through parables. Parables are great for students because they are short and appear to get to the point quickly. They only appear to get to the main point because parables usually are not what they appear to be. Parables usually are open ended and lead to further thought, instead of providing an easy answer that is given to the reader. Parables start in one place, and leave us in a situation that is the opposite of where it began. Therefore, parables challenge students to think in a different way than they are used to. Parables can help students think outside-of-the-box instead of making everything black and white.

A final structure involves differing views of evidence. People can interpret evidence differently. When an individual develops a belief based on their interpretation, they are defensive when someone develops a differing opinion. Without realizing that evidence can be interpreted different ways, individuals believe their beliefs are fact, once they have evidence that confirms that belief. Students need to be open minded and look at data from many viewpoints because there is more than one way in life, to look at things. To use this in accounting, financial data can be interpreted in different ways by different people. Understanding the different viewpoints, can help someone look at the big picture and get a better idea of what the financial information is really saying.

These are some examples of subjects that can be used, if universities decide to implement more ethical teaching into their accountancy program. If this introduction doesn't occur, future events, like the Enron scandal, could occur. Even if the fraudulent or unethical behavior is small compared to Enron, it is important as accountants to prevent such things from happening. Accountants are held up to a certain ethical standard by the public, so they need to be properly educated in ethical behavior. Therefore, more ethical discussion needs to be integrated into the classroom environment. Understandably, most accounting programs don't have the time or resources available to implement proper ethical training, but they still need to do it to a degree where they feel confident that their students have been provided with enough resources to make ethical decisions. Accountants need a foundation to grow from, so providing however great a foundation in ethics that a school can provide, can do great things to an accountant starting out their career.

Works Cited

Boyd, Kenneth. “CPA Ethics Exam Tips, Course Guide, and Requirements.” *CPA Accounting Institute for Success*, 25 November 2019, https://www.ais-cpa.com/cpa-ethics-exam/. Accessed 25 November 2019.

Dellaportas, Steven. “Making a Difference with a Discrete Course on Accounting Ethics.” *Journal of Business Ethics*, vol. 65, no. 4, https://www.jstor.org/stable/25123801. Accessed 8 August 2019.

Ketz, Edward. *Accounting Ethics: Critical Perspectives on Business and Management.* 4 vols. London. Routledge, 2006.

Koehn, Daryl. “Transforming Our Students: Teaching Business Ethics Post-Enron.” *Business Ethics Quarterly*, vol. 15, no. 1, https://www.jstor.org/stable/3857671. Accessed 6 September 2019.

Miller, William and Shawver, Tara. “Moral Intensity Revisited: Measuring the Benefit of Accounting Ethics Interventions.” *Journal of Business Ethics*, vol. 141, no. 3, https://doi-org.proxy.bsu.edu/10.1007/s10551-015-2711-4. Accessed 1 August 2019.

“Companies Act, 1862.” *ISB*, http://www.irishstatutebook.ie/eli/1862/act/89/enacted/en/print.html. Accessed 25 November 2019.